

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES INC
Form 10QSB
November 21, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark one)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-26059

COMET TECHNOLOGIES, INC.

(Exact Name of small business issuer as specified in its charter)

Nevada

87-0430322

(State of Incorporation)

(IRS Employer ID Number)

8 East Broadway #428, Salt Lake City, Utah 84111

(Address of principal executive offices)

(801) 532-7851

(Issuer's telephone number)

10 West 100 South, Suite 610, Salt Lake City, Utah 84101

(Former name, address and fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity: As of the date of this report, there were 4,058,200 shares of common stock outstanding.

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Transitional Small Business Format: Yes [] No [XX]

COMET TECHNOLOGIES, INC.

Form 10-QSB for the quarter ended September 30, 2005

Table of Contents

	Page
Part I - Financial Information	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis or Plan of Operation	11
Item 3. Controls and Procedures	12
Part II - Other Information	
Item 1. Legal Proceedings	12
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 3. Defaults Upon Senior Securities	13
Item 4. Submission of Matters to a Vote of Security Holders	13
Item 5. Other Information	13
Item 6. Exhibits and Reports on Form 8-K	13
Signatures	14

PART I-FINANCIAL INFORMATION

Item 1 - Financial Statements

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

September 30, 2005 and December 31, 2004

3

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Balance Sheets

ASSETS

	September 30, 2005	December 31, 2004
	-----	-----
	(Unaudited)	
CURRENT ASSETS		
Cash	\$ 100,064	\$ 90,864
	-----	-----
Total Current Assets	100,064	90,864
	-----	-----
TOTAL ASSETS	\$ 100,064	\$ 90,864
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 1,466	\$ 3,065
Payable - related parties	6,000	57,795
	-----	-----

Total Current Liabilities	7,466	60,860
	-----	-----

TOTAL LIABILITIES	7,466	60,860
	-----	-----

STOCKHOLDERS' EQUITY

Common stock: 20,000,000 shares authorized of \$0.001 par value, 4,058,200 and 3,598,000 shares issued and outstanding, respectively	4,058	3,598
Additional paid-in capital	332,896	238,561
Deficit accumulated during the development stage	(244,356)	(212,155)
	-----	-----

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Total Stockholders' Equity	92,598	30,004
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 100,064	\$ 90,864
	=====	=====

The accompanying notes are an integral part of these financial statements

4

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		From Inception February 7, 1986 Throu September 2005
	2005	2004	2005	2004	
	-----	-----	-----	-----	-----
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES					
General and administrative	9,005	17,518	32,467	84,429	393,000
Total Expenses	9,005	17,518	32,467	84,429	393,000
LOSS FROM OPERATIONS	(9,005)	(17,518)	(32,467)	(84,429)	(393,000)
OTHER INCOME (LOSS)					
Dividend income	-	-	-	-	5,000
Interest income	186	77	266	297	147,000
Reimbursement for Fees	-	-	-	1,820	2,000
Unrealized loss from marketable securities	-	-	-	-	(6,000)
Total Other Income (Loss)	186	77	266	2,117	148,000
NET LOSS	\$ (8,819)	\$ (17,441)	\$ (32,201)	\$ (82,312)	\$ (244,000)
BASIC LOSS PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,623,011	3,598,000	3,606,429	3,598,000	

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

The accompanying notes are an integral part of these financial statements.

5

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Stockholders' Equity (Deficit)
From Inception on February 7, 1986 through September 30, 2005

	Common Stock		Capital in	Deficit
	Shares	Amount	Excess of	Accumulated
			Par Value	During
				Development
				Stage
Balance at Inception on February 7, 1986	-	\$ -	\$ -	\$ -
Issuance of 1,098,000 shares of common stock to officers, directors and other individuals for \$0.023 per share on February 7, 1986	1,098,000	1,098	23,902	-
Public offering of the Company's common stock	2,500,000	2,500	247,500	-
Deferred offering costs offset against capital in excess of par value	-	-	(32,841)	-
Net loss from inception on February 7, 1986 through December 31, 1997	-	-	-	(41,568)
Balance, December 31, 1997	3,598,000	3,598	238,561	(41,568)
Net loss for the year ended December 31, 1998	-	-	-	(1,761)
Balance, December 31, 1998	3,598,000	3,598	238,561	(43,329)
Net income for the year ended December 31, 1999	-	-	-	145
Balance, December 31, 1999	3,598,000	3,598	238,561	(43,184)
Net loss for the year ended December 31, 2000	-	-	-	(1,803)
Balance, December 31, 2000	3,598,000	3,598	238,561	(44,987)

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Net loss for the year ended December 31, 2001	-	-	-	(7,412)
Balance, December 31, 2001	3,598,000	\$ 3,598	\$ 238,561	\$ (52,399)

The accompanying notes are an integral part of these financial statements.

6

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Stockholders' Equity (Deficit) (Continued)
From Inception on February 7, 1986 through September 30, 2005

	Common Stock		Capital in	Deficit
	Shares	Amount	Excess of	Accumulated
			Par Value	During
				Development
				Stage
Balance, December 31, 2001	3,598,000	\$ 3,598	\$ 238,561	\$ (52,399)
Net loss for the year ended December 31, 2002	-	-	-	(28,074)
Balance, December 31, 2002	3,598,000	\$ 3,598	238,561	(80,473)
Net loss for the year ended December 31, 2003	-	-	-	(40,089)
Balance, December 31, 2003	3,598,000	3,598	238,561	(120,562)
Net loss for the year ended December 31, 2004	-	-	-	(91,593)
Balance, December 31, 2004	3,598,000	3,598	238,561	(212,155)
Issuance of 324,080 shares of common stock to officers and directors under option for \$0.1875 per share on September 26, 2005 for related party indebtedness (unaudited)	324,080	324	60,441	-
Issuance of 36,120 shares of common stock to an officer and director for related party indebtedness for \$0.25 per share on September 26, 2005				

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

(unaudited)	36,120	36	8,994	-
Issuance of 100,000 shares of common stock for cash for \$0.25 per share (unaudited)	100,000	100	24,900	-
Net loss for the nine months ended September 30, 2005 (unaudited)	-	-	-	(32,201)
Balance, September 30, 2005 (unaudited)	4,058,200	\$ 4,058	\$ 332,896	\$ (244,356)

The accompanying notes are an integral part of these financial statements.

7

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended		From
	September 30,	September 30,	Inception on
	2005	2004	February 7,
			1986 through
			September 30,
			2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from operations	\$ (32,201)	\$ (82,312)	\$ (244,356)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization	-	-	301
Change in operating assets and liabilities:			
Increase in taxes payable	-	-	300
Increase (decrease) in accounts payable and payable - related parties	16,401	23,570	76,960
Net Cash used by Operating Activities	(15,800)	(58,742)	(166,795)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Organizational costs	-	-	(300)
Sale of stock	25,000	-	25,000
Net stock offering proceeds	-	-	242,159

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Net Cash Provided by Financing Activities	25,000	-	266,859
<hr style="border-top: 1px dashed black;"/>			
NET INCREASE (DECREASE) IN CASH	9,200	(58,742)	100,064
CASH AT BEGINNING OF PERIOD	90,864	151,597	-
<hr style="border-top: 1px dashed black;"/>			
CASH AT END OF PERIOD	\$ 100,064	\$ 92,855	\$ 100,064
<hr style="border-top: 1px dashed black;"/>			
CASH PAID FOR:			
Taxes	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -
<hr style="border-top: 1px dashed black;"/>			

The accompanying notes are an integral part of these financial statements.

8

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements
September 30, 2005 and December 31, 2004

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2004 audited financial statements. The results of operations for the period ended September 30, 2005, are not necessarily indicative of the operating results for the full year.

NOTE 2 - RELATED PARTY TRANSACTION

As of September 30, 2005, the Company owed \$6,000 to related parties for unpaid services rendered to the Company.

NOTE 3 - STOCK OPTIONS AND WARRANTS AND SALE OF STOCK

On March 11, 1999, the Company granted to each of its three (3) directors, options to purchase 200,000 shares of common stock each at an exercise price of \$0.1875, which was the average of the bid and asked prices for the common stock on that date. The options are vested and expire in March 2009. The options were issued to compensate these persons for their services to the Company over the past 13 years, for which they had received no other compensation. The options of one of the directors, now deceased, have passed

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

on to his estate.

On September 26, 2005, the Company's current officers and directors agreed to eliminate certain indebtedness owed to them through the exercise of certain stock options referenced above. Accordingly, one of the officers and directors exercised his stock options in full, for the conversion of a total of \$37,500 in indebtedness to him, into a total of 200,000 shares of restricted common stock at a price of \$0.1875 per share. The other officer and director agreed to convert the entire obligation to him (\$23,265), into a total of 124,080 shares of common stock under his stock options at a price of \$0.1875 per share. Because he did not exercise all of his stock options, he was reissued stock options to purchase a total of 75,920 shares at \$0.1875 per share. One of the officers and directors above who was owed an additional \$9,030 converted such debt on the same date to 36,120 shares of restricted common stock at a price of \$0.25 per share.

9

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements
September 30, 2005 and December 31, 2004

NOTE 3 - STOCK OPTIONS AND WARRANTS AND SALE OF STOCK (CONTINUED)

To provide the Company with additional capital, the Company sold on the same date, to an unrelated party, a total of 100,000 shares of restricted common stock at a price of \$0.25 per share for total cash proceeds of \$25,000.

There is an outstanding warrant to purchase 50,000 shares of the Company's common stock held by an unrelated third party at an exercise price of \$0.1875, which expires in March 2009.

10

Item 2 - Management's Discussion and Analysis or Plan of Operation

(1) Caution Regarding Forward-Looking Information

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 and Section 21e of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors.

(2) Plan of Operation

Nine Month Periods Ended September 30, 2005 and 2004

The officers have continued to evaluate potential mergers in an ongoing effort to increase the value of the shareholders' investment in the Company.

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

During this period, however, the Company has not been engaged in business operations, and has had no revenue from continuing operations for the nine-month periods ended September 30, 2005 and 2004.

General and administrative expenses for the nine-month periods ended September 30, 2005 and 2004, consisted of general corporate administration, officer compensation, legal and professional expenses, and accounting and auditing costs. These expenses were \$32,467 and \$84,429 for the nine-month periods ended September 30, 2005 and 2004, respectively.

Interest income in the nine-month periods ended September 30, 2005 and 2004, was \$266 and \$297, respectively. As a result of the foregoing factors, the Company realized a net loss of \$32,201 for the nine months ended September 30, 2005, as compared to a net loss of \$82,312 for the same period in 2004.

Liquidity and Capital Resources

At September 30, 2005, the Company had working capital of approximately \$92,598 as compared to \$30,004 at December 31, 2004. This change in working capital is largely attributable to the conversion of a total of \$69,795 in debt to officers and directors, into equity, and the investment by an unrelated third party of \$25,000, for the purchase of 100,000 restricted shares of common stock for cash. (See Note 3 to Financial Statements, and Part II, Item 2). Working capital as of both dates consisted of cash and cash equivalents less current liabilities.

Management believes that the Company has sufficient cash to meet the anticipated needs of the Company's operations through at least the next 12 months. However, there can be no assurances to that effect, as the Company has no significant revenues and the Company's need for capital may change dramatically if it acquires an interest in a business opportunity during that period. The Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the intent of management and significant shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company, and (ii) search for potential businesses, products,

11

technologies and companies for acquisition. At present, the Company has no understandings, commitments or agreements with respect to the acquisition of any business venture, and there can be no assurance that the Company will identify a business venture suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage any business venture it acquires.

Although the Company's assets consist of cash and cash equivalents, the Company has no intent to become, or hold itself out to be, engaged primarily in the business of investing, reinvesting, or trading in securities. Accordingly, the Company does not anticipate being required to register pursuant to the Investment Company Act of 1940, and expects to be limited in its ability to invest in securities, other than cash equivalents and government securities, in the aggregate amount of over 40% of its assets. There can be no assurance that any investment made by the Company will not result in losses.

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Item 3 - Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

On September 26, 2005, Jack Gertino and Richard Stuart, officers and directors, exercised Options resulting in the issuance of 236,120 shares and 124,080 shares of restricted common stock, respectively, to Mr. Gertino and Dr. Stuart, at a price of \$0.1875 per share. Mr. Gertino and Dr. Stuart were owed \$46,530, and \$23,265, respectively, for services rendered to the Company, primarily in connection with a possible merger transaction that, after several months of efforts, was terminated, as reported in a Form 8-K filed on or about February 14, 2005, incorporated herein by reference. The purchase price under the Options was paid through the conversion and cancellation of Company indebtedness to Mr. Gertino and Dr. Stuart, as described below.

In March, 1999, the Company granted to each of its three then officers and directors - Jack M. Gertino, Dr. Richard Stuart and Philip Gugel, an option to purchase a total of 200,000 shares each of the Company's common stock at an exercise price of \$0.1875 per share (the "Option"). Mr. Gugel has since died, and his Option, which has not been exercised, has passed to his wife. The Options are exercisable for a period of ten (10) years, ending on March 11, 2009.

12

As a means of eliminating this debt from the Company's balance sheet, and to provide the Company with working capital to undertake efforts to locate and enter into a business opportunity over the next few months, the Company and Mr. Gertino and Dr. Stuart agreed to eliminate the indebtedness to Gertino and Stuart through the exercise of the Options referenced above. Accordingly, Mr. Gertino's exercised his Option in full, for the conversion of a total of \$37,500 in indebtedness to him, into a total of 200,000 shares of restricted common stock at a price of \$0.1875 per share. After the exercise of his entire Option, Mr. Gertino was still owed the sum of \$9,030 by the Company, which he agreed to convert into a total of 36,120 additional shares of restricted common stock at a price of \$0.25 per share, or the price paid by an unaffiliated investor, described below. Dr. Stuart agreed to convert the entire obligation to him (\$23,265), into a total of 124,080 shares of common stock under his Option at a price of \$0.1875 per share. Because Dr. Stuart did not exercise all of his Option, he was reissued an Option to purchase a total of 75,920 shares at \$0.1875 per share. Mr. Gertino's Option has been

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

exercised in full and is no longer outstanding.

Concurrently with the transactions described above, on September 26, 2005, the Company entered into a stock purchase agreement with American Eastern Group, Inc. ("American"), a Nevada corporation, providing for the sale by the Company to American of a total of 100,000 shares of restricted common stock at a price of \$0.25 per share, or a total of \$25,000. As a result of the transactions described above, the Company issued a total of 460,200 shares of restricted common stock; eliminated a total of \$69,795 in indebtedness on its balance sheet, increased cash by \$25,000, and increased its shareholders' equity by approximately \$93,000, after transactional costs, which is now reflected on the September 30, 2005 balance sheet included as part of this Form 10-QSB. There were no commissions or fees paid to any third parties in connection with these transactions.

Item 3 - Defaults on Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

During the quarter ended September 30, 2005, the Company held no regularly scheduled, called or special meetings of shareholders during the reporting period, nor were any matters submitted to a vote of this Company's security holders.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit	Description
31.1	Principal Executive Officer Certification*
31.2	Principal Financial Officer Certification*
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

* Included herein pursuant to Item 601(b) 31 of Regulation SB.

** Included herein pursuant to Item 601(b) 32 of Regulation SB.

13

(b) Reports on Form 8-K. On September 28, 2005, the Company filed a Current Report on Form 8-K, reporting the exercise of options of Jack Gertino and Richard Stuart, officers and directors, resulting in the issuance of 236,120 shares and 124,080 shares of restricted common stock, respectively, to Mr. Gertino and Dr. Stuart, and the sale of 100,000 shares of restricted common stock to American Eastern Group, Inc., a Nevada corporation, at a price of \$0.25 per share, or a total of \$25,000. (See Item 2 above).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMET TECHNOLOGIES, INC.

Date: November 16, 2005

By: /s/ Richard B. Stuart

Richard B. Stuart, President, CEO and
Principal Executive Officer

Date: November 16, 2005

By: /s/ Jack M. Gertino

Jack M. Gertino, Secretary/Treasurer,
CFO and Principal Financial Officer